

Message Text

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PAGE 01 ISTANB 01861 220806Z
ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 OMB-01 H-02
CIAE-00 INR-10 NSAE-00 XMB-04 AID-05 /043 W
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R 220535Z JUN 78
FM AMCONSUL ISTANBUL
TO SECSTATE WASHDC 72
INFO AMEMBASSY ANKARA

UNCLAS ISTANBUL 1861

E.O. 11652: N/A
TAGS: BDIS, TU
SUBJ: COMMERCIAL DISPUTE: SINGER

REF: (A) STATE 60801, (B) ISTANBUL 492

1. SINGER REP IN ISTANBUL CONFIRMED PRESS REPORTS THAT A NEW LAW 6224 INVESTMENT DECREE WAS ISSUED ON BEHALF OF THE COMPANY WEEK OF JUNE 12. SINGER MANAGEMENT IS PLEASED WITH THE NEW DECREE, TERMS OF WHICH WERE NEGOTIATED SOME YEARS AGO AND ONLY NOW ACTED ON BY GOT.

2. TERMS INCLUDE RECAPITALIZATION OF THE COMPANY AND ALLOW SINGER TO CAPITALIZE HERETOFORE "ILLEGAL" PROFITS EARNED DURING A PERIOD WHEN THE COMPANY WAS TECHNICALLY NOT ALLOWED TO OPERATE BECAUSE OF CANCELLATION OF A PREVIOUS INVESTMENT DECREE. SINGER WILL REDUCE ITS PERCENTAGE EQUITY IN THE LOCAL SEWING MACHINE MANUFACTURING FIRM FROM 99.55 PERCENT TO 91 PERCENT WITHIN ONE YEAR, AND BY A FURTHER 10 PERCENT PER YEAR UNTIL EQUITY IS REDUCED TO 51 PERCENT, WHERE IT WILL REMAIN.

3. THE ONLY PROVISION CONSIDERED ONEROUS BY SINGER IS REQUIREMENT TO EXPORT 20 PERCENT OF PRODUCTION. EXPORT COMMITMENTS WILL REMAIN A FACT OF LIFE FOR FOREIGN INVESTORS IN TURKEY, HOWEVER, AND SINGER IS QUITE AWARE OF THIS.

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PAGE 02 ISTANB 01861 220806Z

4. COMMENT: EXTREME PESSIMISM EXPRESSED BY FORMER SINGER GENERAL MANAGER IS NO LONGER EVIDENT. ASIDE FROM ENCOURAGING DEVELOPMENT REPRESENTED BY NEW DECREE, CURRENT ATTITUDE AT LOCAL FIRM SEEMS TO BE THAT DESPITE WIDE RANGE OF DIFFICULTIES OF DOING BUSINESS IN TURKEY, THERE IS NO QUESTION OF PULLING OUT COMPLETELY, AS WAS SUGGESTED BY FORMER MANAGER.

HOUGHTON

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Message Attributes

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Disposition Approved on Date:
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Disposition Event:
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